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# **Privatization and Political Power in Representative Democracy Or Contracting and its Consequences for Political Power in Representative Democracy**

Morten Balle Hansen

Since the 1980s a global trend in Public Management Reform has been an attempt to enhance various types of Market Type Mechanisms (MTMs) in the provision of public services. One

One of the main endeavors within "New Public Management" (NPM) since the 1980s has been to encourage various forms of privatization in the public sector. In recent years, the involvement of private players in the provision of services in Danish municipalities has thus been increased, which makes it important to study the consequences of this development. In the present article, privatization is understood as the use of private service providers to provide services and focus is on what privatization means for the power of local political players. The point of departure is an expectation that a high degree of privatization can have far-reaching consequences for the distribution of local political power. This is illustrated empirically by a questionnaire survey of 896 municipal leaders. The main findings are that the local political actors generally have less power in municipalities with high degrees of privatization and that the power that remains is more centralized in these municipalities.

## **Introduction**

"Many western democracies are currently implementing governance reform and administrative reform without much reflection of its broader democratic ramifications. ... If there is anything to be learned from recent administrative and governance reform, it should be that democracy and administration are integrated processes where reform in one process will impact the other." (Pierre 2009)

The use of the market mechanism is a central element of the public management reforms of recent decades. Together with the tendency to emphasize management and the tendency to emphasize result assessment in the public sector it forms a trinity that has been termed "New Public Management" (NPM) (Christensen and Laegreid 2007; Hood 1991). NPM, understood as the prioritization of one or more of these three elements, has increasingly characterized management thinking in the public sector in many OECD countries since the early 1980s. Yet the significance of this way of thinking for the actual management practice of the public sector is much discussed and varies from country to country.

In combination with the development of information and communication technology (ICT), NPM-inspired organizational innovations have made their mark for better or for worse on the wave of administrative reforms that have characterized the public sector in OECD countries in general and Denmark more specifically since the 1980s (Ejersbo and Greve 2005; Hansen forthcoming 2010). Indeed, one of the rationales behind the Danish structural

reform was to increase the municipalities' administrative capacity for handling contract management and other organizational innovations. This is not revolutionary in that the new forms of governance coexist with and are embedded in older forms of governance, but significant and occasionally paradoxical and conflict-ridden transformations of governance of the public sector have taken place.

In spite of this development, the existing knowledge of the consequences of these measures is very limited. In particular, the relation between the use of the NPM measures and the division of power among the political players remains largely unexplored. The present article begins to fill this gap through an analysis of the division of power in local representative democracy. Power is to be understood here as a given player's influence on the municipality's activities. More specifically, the connection is explored between local political players' power and the degree of privatization, understood as the extent to which the municipalities include private players in the municipalities' service provision. The local political players are first and foremost politicians (the mayor, the financial committee, and the other politicians), but the top administrative managers and local interest groups are also included in the analysis. Focus is thus on the specific empirical relation between two classic institutions in our society: the market and democracy. The question is whether greater use of private service providers means greater power for the local political players or whether it rather leads to a technocratization and hollowing out of local democracy.

After a brief discussion of the literature on the rationales, consequences and organization of privatization, two hypotheses are formulated on the consequences of the degree of privatization on the power of local political players. Then the data and methods used in the study are described, after which the results are presented. In connection with this other possible interpretations of the results of the study are discussed. Finally, a conclusion is drawn and various implications of the study are discussed.

### **Privatization, democracy and power**

Notions of a free market and a representative democracy as pillars of a modern society were the starting point for the social order that developed in Europe in the 1800s in the wake of the French and the American revolutions. Today they are to a great extent "sacred institutions" in the modern social order in the sense that the goals of a well-functioning democracy and a free market form the basis for prevailing global notions of the good society (as expressed, for example, in the OECD's and EU's criteria for membership) (Meyer, Boli, Thomas, and Ramirez 1997). The relations between these central institutions have been the object of many

analyses over time (Buchanan and Tullock 1962; Hirschman 1970; Schumpeter 1942), and especially Hirschman's analyses of the dynamic relations between the "voice" mechanism of democracy and the "exit" mechanism of the market are relevant in relation to the focus of this article.

The article takes as its starting point the notion that the use of market mechanisms in public management leads to an erosion of democracy. Focus is on a form of the hollowing-out thesis that was formulated by Rod Rhodes in the wake of the many privatizations and reorganizations of the Thatcher era (Rhodes 1994). The thesis, which is developed below, is that privatization has consequences for the organization of public management and that in turn, the changed organization of management brings about a considerable change in the power of local political players. Before this thesis is explored in more depth, the following section will briefly explain the main rationales for privatization and review previous empirical research on the consequences of privatization.

### *Rationales for privatization*

What are the advantages that can be gained from a higher degree of privatization? The literature on privatization is comprehensive and a wide range of explicit and implicit objectives have been proposed (Hodge 2000; Savas 2000). The various objectives are connected to the fact that the concept of privatization covers several phenomena. If privatization is understood as the exposure to competition through the creation of quasi-markets in which there is competition between various service providers (private and public), the objectives of increased economic efficiency will dominate. Privatization in this sense implies that there is more than one service provider and it introduces decision structures based on the "exit" mechanism of the market (Hirschman 1970). By this is understood the users' possibility to switch to a new service provider if they are dissatisfied with the service. In contrast to this is the "voice" mechanism, which dominated the Danish public sector until two or three decades ago. "Voice" consists in users and citizens being given the opportunity to express their opinions on public sector services and in that way indirectly affect public services. With the introduction of "exit" the monopoly of the public sector on essential welfare services is broken and the increased competition is expected to encourage efficient service provision (Varian 2006). However, this is seldom the only objective of exposure to competition. As Alam & Pacher (2000) write, it can also be about reducing costs, developing clearer objectives, listening to user preferences and improving the quality of output.

In relation to these objectives it is important to distinguish between the privatization itself and any possible effect of choice for users. Privatization takes place when tenders are invited for public services and private service providers win the right to provide (some of) the services. If there is more than one player (public or private) that is awarded the right to provide services, users have a choice between various service providers. This is not necessarily a consequence of privatization in that municipalities can choose to let one single private service provider provide all services, but most often the municipalities choose a solution with several service providers. In this case, users have a real "exit" opportunity to "vote with their feet" if they are dissatisfied and there is increased pressure on the service providers' ability to adapt to user demands.

### *Consequences of privatization*

Despite the high profile of privatization on the reform agenda, analyses of the consequences of privatization have been relatively scarce and have primarily focused on economic consequences (e.g. cost level and productivity) for technical service areas in Anglo-Saxon countries (Boyne 1998; Hodge 2000). There are however a few analyses of non-technical service areas (Hansen 2010; Meier and O'Toole 2009). The results of the analyses are mixed, but in general, privatization does not seem to have the marked positive effect on productivity that theories on exposure to competition suggest (Dunleavy, Margetts, Bastow, and Tinkler 2006). Empirical analyses of other types of consequences than the economic are rarer (Hodge 2000). Some researchers have analyzed the relation between privatization and corruption (Donahue 1989; Kobrak 2002) on the basis of a theory that corruption may become a greater problem in privatization regimes. Other researchers have analyzed the relation between accountability and privatization (Gilmour and Jensen 1998) on the basis of a theory that privatization will lead to a loss of accountability and uncertainty about the division of responsibility between the private service providers and the public purchasers. Yet as far as can be determined, and after searches in the Web of Science and other databases, there are no previous empirical analyses that focus on the consequences of privatization for the local democracy and the power of local players.

### *The organization of privatization*

The thesis here is that when municipal task performance is increasingly privatized, this has consequences for how influence can be exercised in the local democracy, understood here as the representatives of the formal democracy. There are other forms of local democracy in the

form of, for example, local councils and user committees, but here, the analyses is restricted to classic representative democracy with a municipal council elected by the people, which constitutes itself with a mayor, a financial committee and a standing committee. It is the players in and around this decision support system that are in focus. The expectation is that privatization has an impact on how decisions can be made and how municipalities can be governed. Put simply, privatization is expected to lead to a transfer of power from the political, democratic system to those who negotiate with private service providers. If privatization also means that there is more than one choice for users, users can also be expected to have more power.

Put in a more nuanced way, the establishment of quasi-markets in previous areas of public monopoly requires an adjustment of the way in which decisions are made in the local democracy. To ensure equal competition between public and private service providers in the outsourcing process, a transparent, legally binding contract must be formulated (Greve 2008). If the outsourcing process entails competition between a municipal service provider and one or more private service providers, a clear division must be made within the municipal organization between an a unit that orders a service (an authority) and a unit that carries out the order (a service provider) (O'Flynn and Alford 2008). Versions of external contract management and (if there are both private and public suppliers) Purchaser-Provider Models (PPM) are necessary organizational preconditions if privatization is to function. In this sense, one could speak of a special organizational configuration (Mintzberg 1979), a management technology or a special privatization regime, which must be developed to handle this form of privatization. It is in this sense that the term privatization regime is used in the following.

### *Odysseus and the sirens*

Because contracting out confines the duty of contractors to the performance of the terms of contracts and confines the right of supervising principals to enforcing the terms of contracts, it rules out the possibility of day-to-day supervision and intervention which is part of the normal practice within bureaucracies and indeed within any organisation of employees serving a common employer (Mulgan 1997)

Just as Odysseus had to be tied to the mast to prevent himself from being lured by the sirens' song, so must municipal politicians and management be subject to uncompromising contract management discipline if privatization is to function. Increased privatization means that the negotiation of binding external contracts gains importance in the execution of municipal tasks (Greve 2008). Moreover, external contracts are often negotiated for a number of years and within the contact period, the role of the municipal council and administration is reduced to

monitoring whether the contract is complied with. Citizens, users and local interest organizations who approach municipal politicians or the municipal administration with complaints or to express dissatisfaction must be asked to wait until the next time the contract is negotiated or until a technical-legal investigation is conducted of whether the contract has been complied with. However, if privatization means that there is more than one supplier of public services, users have the opportunity to select another supplier than one they are dissatisfied with. Politicians, on the other hand, do not have as many possibilities of influencing the production of public services during the contract period. The overall thesis of this article is therefore that the local political players have less decision-making power in municipalities where large parts of the operations are privatized compared with municipalities where this is not the case.

H<sub>1</sub>: The higher the degree of privatization, the less power the local political players' have.

There is also reason to expect a different division of power in the municipal political system in municipalities with a high degree of privatization compared with municipalities with a low degree of privatization. The entire contract negotiation and control process that is connected to a privatization regime requires legal and professional competences that few part-time politicians possess. Therefore, it is likely that especially ordinary "amateur politicians" will have less power in this type of regime. Given that interest groups among other things exercise influence through politicians (Binderkrantz, 2005), they must also be expected to be relatively weaker in municipalities that have a high degree of privatization.

On the other hand, full-time politicians like the mayor can be expected to be relatively stronger. Other things being equal, the mayor is the single politician who has the best information on the contract management process and who has the best possibilities in terms of resources (e.g. in the form of time and assistance from council officers) to exercise influence. Other leading politicians, such as the various committee chairs, will probably have less power in municipalities with a high degree of contract management compared with municipalities with a low degree of contract management. A privatization regime is as a rule accompanied by a focus on stringent financial control and resulting centralization, and principles for contract management must be dealt with in the financial committee. This means that the members of the financial committee can be expected to have greater influence in

municipalities with a high degree of privatization compared with municipalities with a low degree of privatization.

The impact of the top administrative managers' influence can go both ways. On the one hand, the possibility to exercise direct management is more limited in municipalities with a high degree of privatization, but on the other hand, the top administrative managers, by virtue of their professional insight, must be expected to be highly competent to exercise influence in the contract management process in these municipalities. It is also conceivable that the two effects neutralize one another and that the top administrative managers' power remains therefore on the whole relatively unchanged. These considerations lead to Hypothesis 2, which is further broken down into a number of sub-hypotheses.

H<sub>2</sub>: Power in municipalities with a high degree of privatization is more centralized than power in municipalities with a low degree of privatization:

H<sub>2a</sub>: The mayor has greater power in municipalities with a high degree of privatization than in municipalities with a low degree of privatization

H<sub>2b</sub>: The financial committee has greater power in municipalities with a high degree of privatization than in municipalities with a low degree of privatization

H<sub>2c</sub>: Top administrative managers have the same power in municipalities with high and municipalities with low degrees of privatization

H<sub>2d</sub>: Politicians who are not members of the financial committee have less power in municipalities with a high degree of privatization than in municipalities with a low degree of privatization

H<sub>2e</sub>: Local interest groups have less power in municipalities with a high degree of privatization than in municipalities with a low degree of privatization

## **Data and method**

The data sources used are on the one hand, a questionnaire survey conducted from October-November 2008 and on the other hand, a number of municipal key figures calculated by the Ministry of Interior and Statistics Denmark. In this way, the independent variable (degree of privatization) is measured using register data while the measurement of the dependent variable (the power of local political players) is based on a subjective assessment made by the municipal managers. The managers are thus used as informants about the actual distribution of power, and this results in certain problems of validity, which are most serious in relation to the assessment of their own power (R6 in Table 1 below). However, this source of error in measurement cannot be expected to be correlated with the degree of privatization of the



municipality and, as will be discussed below, the control variables take the differences in the respondents' job situations into account.

More specifically, the respondents in the questionnaire survey are members of the associations of municipal managers: the Association of Municipal Chief Executives (*Kommunaldirektørforeningen*), the Association of Directors in the Field of Children's Educational and Cultural Matters (*Børne- og Kulturchefforeningen*), the Confederation of Danish Municipal Engineers (*Kommunalteknisk Chefforening*), and the Association of Social Directors in Denmark (*Foreningen af Socialchefer*). Of the 1105 members, 81.1 % (n=896) have responded to the questionnaire, including 75.5 % (n=74) of the municipal chief executives (KD), 82.7 % (n=81) of directors in the field of children's, educational and cultural matters (BKD), 71.4 % (n=70) of the municipal engineers (TD) and 76.5 % (n=75) of the social directors (SD) in Denmark. In addition, 168 other administrative managers, 407 other municipal managers, and 21 respondents whose titles are unknown have participated. The survey can be regarded as reasonably representative of the top municipal executives in Denmark after the municipal reform (Hansen, Jensen, and Pedersen 2009).

The indicators of the local political actors' power are from the questionnaire survey. Seven measurements for the various groups of players of their degree of influence on the activities of the municipality have thus been constructed (see Table 1). One is a general summative index, which measures the overall influence of 14 different categories of players connected with the local political system (R1); the other six are variables that measure the influence of the mayor (R2), the financial committee (R3), leading politicians (R4), ordinary politicians (R5), top administrative managers (R6), and local interest groups (R7). Four of these seven variables are constructed as a summative index (see Table 1) with a reasonable scale reliability (Cronbach's alpha 0.69-0.78).

\*\*\* Omkring her tabel 1\*\*\*

The indicator of the degree of privatization (PLI) has been taken from the Ministry of Interior's key figures. The PLI for 2007 has been used such that it is the relation between the degree of privatization in 2007 and the power of the local political players in 2008 that is

examined in the models. PLI is calculated as the share of the municipalities' use of private service providers in percent of that part of the municipalities' total service provision that may be carried out by private service providers (see also appendix). A score of 100 would thus indicate that all services that *may* according to law be provided by private service providers are actually carried out by them. A score of 0 would indicate that none of these tasks are carried out by private service providers.

In addition to the indicator of privatization, six control variables have been used in the analyses presented below. There are two groups of control variables. The first group takes into account that the respondents (the municipal managers, who, as mentioned, are used as informants on the distribution of power) have different starting points for their assessment of the local political players' power. It is among other things highly relevant to look at the respondents' positions because respondents will have different possibilities to see how power relations are played out depending on whether they are chief executives or not. Their education may also play a part, and it is checked whether or not they have taken a higher education in the social sciences, as respondents with this type of education typically have a greater theoretical basis for assessing power. Finally, gender is checked (woman or not) because existing research shows that women managers often orient themselves toward the broader environment rather than toward the hierarchy (Damanpour & Schneider 2009: 502). This can have an impact on their assessment of the power of local political players.

The second group of control variables takes into account the fact that other characteristics of the municipality than the degree of privatization may affect the distribution of power. More specifically, two variables for the size of the municipality are included (less than 20,000 inhabitants or not; over 100,000 inhabitants or not) because larger municipalities have more 'ordinary' politicians, a situation that can shift the distribution of power between these and other players, as well as a variable that indicates the municipality's relative wealth (tax base). The latter has been included to check whether the members of the financial committee may possibly have greater influence in cash-strapped municipalities. In addition, the analyses have been checked for a large number of other variables that are not shown on the tables. Among others, dummy variables for whether the mayor was from Venstre, the Liberal Party of Denmark, or not or from Socialdemokratiet, the Danish Social Democrats, or not have been included and all these analyses consistently show that the connection between the degree of privatization and the power of local political players does not change. The results of the analyses can therefore be said to be robust toward various model specifications. Descriptive statistics of all variables included in the analysis are shown in Table 2.

\*\*\* Omkring her tabel 2 \*\*\*

Table 2 shows how the municipal managers on average assess various players' political influence in the municipality (R1-7). Not surprisingly, the mayor is assessed to have definitely the greatest influence (4.78), followed by the financial committee (4.42), the top administrative managers (4.15), leading politicians (3.68), ordinary politicians (2.67) and local interest groups (2.64). The statistics for the private service provider indicator (E1) show that between 16.1 % and 32.8 % of the tasks were classified as privatized in 2007 and that the average was 23.39 %. Moreover, 7 % of the respondents are municipal chief executives (E2), 23 % are educated in the social sciences (E3), 32 % are women (E4), 3 % work in municipalities with less than 20,000 inhabitants (E5), 11 % work in municipalities with more than 100,000 inhabitants (E6), and the average tax based in 2007 (E7) was 143,910 DKK.

## Results

Table 3 presents the bivariate correlations between the variables used in the analysis. Most interesting is the correlation between the private service provider indicator (E1) and the influence indicators (R1-R7). With the exception of the correlation with the assessed influence of the mayor (R2), all correlations between the power measures and the degree of privatization are negative and the correlations are statistically significant ( $p < 0.05$ ) for the influence of all groups of players (R1), the index for leading politicians' influence (R4), the ordinary politicians' influence (R5), the index for the top administrative managers' influence (R6) and the index for the local interest groups' influence (R7). The correlations for the mayor's influence (R2) and the influence of the financial committees (R3) are not significant. Before any statements can be made on the hypotheses, the connections must be verified using multiple regressions including the relevant control variables.

\*\*\* Omkring her tabel 3 \*\*\*

Table 4 shows OLS regressions because more advanced analyses have shown that it is unproblematic to use these even though the dependent variables cannot assume values under

1 or over 5. All models have thus been tested in a Tobit regression analysis with two-sided censoring of the minimum and maximum. This analysis is especially relevant in this study since some of the dependent variables (in particular, the assessment of the mayor's power) are quite skewed in the sense that many assess this power as very high (see Table 2). The average is thus close to the absolute maximum value. Yet since the result was the same with regard to the relation between privatization and power, the simple OLS regressions are presented here.

\*\*\* Tabel 4 omkring her \*\*\*

The relationships between the degree of privatization (F1) and the indicators of political influence (model R1-R7) show the same tendency in the multivariate analyses as in the bivariate analyses, although the strength of the connections has changed somewhat. The multivariate analysis thus indicates that it is the ordinary politicians who show the greatest difference in influence when municipalities with high and low degrees of privatization are compared (model R5). The multivariate analysis thus indicates support for the hypothesis that the higher the degree of privatization, the less power the local political players have (H1). Also the expectation that other leading politicians (model R4), ordinary politicians (model R5) and local interest groups (model R7) will have less influence finds support in the multivariate analysis. However, the expectations that the mayor (model R2) and the financial committee (model R3) will have greater influence the higher the degree of privatization cannot be confirmed. The influence of these two categories of players is the only one that is not significantly related to the degree of privatization. Nor can the expectation that the influence of top administrative managers will remain unchanged (H2b) be confirmed (model R6). The administrative manager's influence is significantly negatively related to the degree of privatization. Given the fact that the influence of all groups of players (aside from the mayor and the financial committee) is significantly negatively related to privatization, the results do, however, support the main expectation in hypothesis 2 that a higher degree of privatization is connected with the centralization of influence in the local political system. Table 5 (below) summarizes how the results relate to the hypotheses and sub-hypotheses. Finally, it should be noted that the coefficient of determination of the seven models is not very high in that  $R^2$  varies between 0.09 (model R7) and 0.011 (model R6).

TABEL 5 HER.

## **Discussion**

Overall, the results of the empirical analyses can be interpreted as a confirmation of the general expectations that were put forward in hypotheses 1 and 2. The degree of privatization in the municipalities is significantly negatively related to the municipal managers' assessment of the power of most political players. The two surprises are that the assessment of the power of the mayor and of the financial committee is not significantly related to the degree of privatization, and that there is a negative connection between the degree of privatization and the power of the top municipal managers.

For the mayor and the financial committee, an obvious interpretation is that the increased power these two groups of players theoretically have as a result of a more centralized decision structure in a privatization regime is counteracted by the general tendency that the local representative democracy is weakened when there is a high degree of privatization.

A corresponding interpretation can be applied to the negative relation that is found between the assessment of the power of the top municipal managers and privatization. The hypothesis was that the top administrative managers' power will on the whole remain uninfluenced by the degree of privatization. The argument was that even though top managers in municipalities with a high degree of privatization have poorer opportunities for direct intervention because of the contract relation, this is counteracted by the fact that they have good possibilities of influencing the contracts due to their professional expertise and their function as the designers, supervisors and interpreters of the contract management system. As mentioned, privatization can lead to users having more power if the introduction of private players gives users freedom of choice between several service providers. This increased user power may reduce the top managers' possibilities of influencing the production of services because service providers are guided by the users' needs rather than the municipal managers' wishes. Moreover, the direct power of orders may be experienced as

greater than the indirect power of experts. However, this cannot be clarified without further studies as the current study does not include measurements of users' influence.

Overall, the study shows first, that local political players in general have less power in municipalities with a high degree of privatization than in municipalities with a low degree of privatization. This, however, does not necessarily mean that citizens have less power. In particular, if the citizens are users of a specific service, they will be able to influence the production of this service if privatization is connected with freedom of choice between various service providers. Provided that dissatisfied users can choose another service provider, this strengthens what Hirschman terms the exit option. Yet in this context this may happen at the expense of the voice option since the results could suggest that the benefit of complaining to the member of the local council is less in municipalities with a high degree of privatization. In somewhat slogan-like terms, one could say that there is less citizen democracy in municipalities with a high degree of privatization but more user democracy.

Second, the study shows that the power of the local political players is more centralized in municipalities with a high degree of privatization. The power in these municipalities is more concentrated on the mayor and the financial committee. They do not have greater influence than their mayor/financial committee colleagues in municipalities with a low degree of privatization, but the other groups of players in municipalities with a high degree of privatization have considerably less power. It is debatable whether this constitutes a problem. In any case, it raises the question of what the role of the many ordinary politicians in the local democratic process should be. The role of the ombudsman can thus be harder to play in a contract management regime, and the legal and financial expertise that is normally required to exercise influence in the contract management process is seldom found in part-time politicians.

Finally, it should be noted that the coefficient of determination of the models is very low. This indicates that there are variables that have not been included that are important for understanding differences in influence. This does not however change the conclusions of this article as long as these variables do not affect both the degree of privatization and the influence of local political players. It must also be emphasized that the study is based on municipal managers' assessment of the influence of local political players. Whether these results would hold true if other types of data and indicators were used must remain to be shown by future research projects.

Despite the limitations of the analysis, the article is clearly relevant from the point of view of society to the question of the role of municipalities in the public sector. This classic issue within the literature on municipal research (Judge, Stoker, and Wolman 1995) is also dealt with in Greves og Ejersbo's article in this special issue (Greve and Ejersbo 2010). Should municipalities first and foremost function as efficient implementation organs for national government decisions or is the role of the municipalities primarily to be the bearers and representatives of a vibrant local democracy (Goldsmith, Judge, Stoker, and Wolman 1995)? How should the balance between the national parliamentary management chain (Olsen 1978) and its local counterpart be? In relation to these questions, the article contributes with the message that initiatives like privatization can have an impact on the power of local political players and thereby also on who gets what in the municipalities. These – unintentional? – consequences should be taken into account in future whenever the introduction of similar initiatives is being considered.

## **Conclusion**

The privatization of municipal activities has been an important endeavor in the government's agreements with Local Government Denmark (LGDK) in recent years. For decades it has been a central tendency in public management reforms in both Denmark and internationally in the OECD countries – especially in the Anglo-Saxon countries. This means that we increasingly can begin to analyze both the intentional and the unintentional consequences of this privatization. Previous analyses have primarily focuses on financial performance at the organizational level. The have been carried out first and foremost in the USA and other Anglo-Saxon countries, and they have furthermore primarily focused on technical services and in particular, refuse collection and disposal.

This article has focused on one consequence that has not been illustrated in previous studies. What significance does the degree of privatization have for the exercise of influence in the local representative democracy? The empirical study lends support to theoretical arguments that local political players generally have less power in municipalities with a high degree of privatization compared with municipalities with a lower degree of privatization and that the remaining local political power is more centralized in the former.

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**Table 1: Measurements of political influence (the dependent variables)**

The question in the questionnaire survey was formulated as follows: "On the background of your experience as Head of Administration in the municipality, please make a personal assessment of how much influence the following players have on the activities of the municipality. 1=no influence; ... ;5=great influence".

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R1 Influence of all political players. Summative index*, Cronbach's alpha=0.78	1. Mayor; 2. Committee chairs; 3. Other chairs in the municipal council; 4. Financial committee; 5. Group chairs; 6. Ordinary municipal council members; 7. Administrative managers; 8. Municipal chief executive; 9. Local members of the Danish Parliament; 10. Trade union leaders; 11. The media; 12. The private business sector; 13. Volunteer organizations; 14. Special interest groups
R2 Mayor's influence	The mayor
R3 Financial committee's influence	The financial committee
R4 Leading politicians' influence. Aggregate index*, Cronbach's alpha=0.74	Committee chairs; other chairs in the municipal council; group chairs.
R5 Ordinary politicians' influence.	Ordinary politicians.
R6 Top administrative managers' influence. Aggregate index*, Cronbach's alpha=0.69	Administrative managers; municipal chief executive.
R7 Local interest groups' influence. Aggregate index*, Cronbach's alpha=0.76	Local members of the Danish Parliament; trade union leaders; the media; the private business sector; volunteer organizations; special interest groups

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\*The figures of the index variables are added together and divided by the number of variables that are included in the index in question

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**Table 2: Descriptive statistics for all variables included**

	<b>Average</b>	<b>Standard deviation</b>	<b>Minimum</b>	<b>Maksimum</b>
R1 Influence index all players	3.37	0.42	2	4.57
R2 Mayor's influnce	4.78	0.57	1	5
R3 Financial committee's influence	4.42	0.74	1	5
R4 Leading politicians' influence index	3.68	0.70	1	5
R5 Ordinary politicians' influence	2.67	0.69	1	5
R6 Top administrative managers' influence index	4.15	0.66	1	5
R7 Local interest groups' indfluence indexes	2.64	0.56	1	4.57
E1 Private service provider indicator 2007	23.29	3.21	16.1	32.8
E2 Municiapl chief executive	0.07	0.25	0	1
E3 Higher education in the social sciences	0.23	0.42	0	1
E4 Woman	0.32	0.47	0	1
E5 Less than 20,000 inhabitants	0.03	0.17	0	1
E6 More than 100,000 inhabitants	0.11	0.31	0	1
E7 Municipality's tax base (wealth indicator)	143,910	26,836	115,004	263,523

R= Response variables (dependent variables); E= Explanatory variables (independent variables)

**Table 3: Bivariate Pearson correlations for all included variables**

	<b>R1</b>	<b>R2</b>	<b>R3</b>	<b>R4</b>	<b>R5</b>	<b>R6</b>	<b>R7</b>	<b>E1</b>	<b>E2</b>	<b>E3</b>	<b>E4</b>	<b>E5</b>	<b>E6</b>	<b>E7</b>
R1 All players' influence	1													
R2 Mayor's influence	<b>0.309</b>	1												
R3 Financial committee's influence	<b>0.522</b>	<b>0.202</b>	1											
R4 Leading politicians' influence	<b>0.706</b>	<b>0.197</b>	<b>0.443</b>	1										
R5 Ordinary politicians' influence	<b>0.479</b>	0.053	<b>0.295</b>	<b>0.473</b>	1									
R6 Top administrative managers' influence	<b>0.499</b>	<b>0.241</b>	<b>0.237</b>	<b>0.241</b>	<b>0.141</b>	1								
R7 Local int.groups' indfluence	<b>0.798</b>	0.083*	<b>0.219</b>	<b>0.283</b>	<b>0.210</b>	<b>0.194</b>	1							
E1 Private service provider indicator 2007	<b>-0.158</b>	0.046	-0.046	<b>-0.124</b>	<b>-0.118</b>	-0.089*	<b>-0.119</b>	1						
E2 Municipal chief executive	<b>-0.170</b>	0.029	<b>-0.141</b>	<b>-0.113</b>	<b>-0.100</b>	-0.013	<b>-0.170</b>	0.013	1					
E3 Soc.Sci.Educ.	<b>-0.165</b>	0.020	<b>-0.128</b>	<b>-0.133</b>	<b>-0.131</b>	0.018	<b>-0.177</b>	0.015	<b>0.257</b>	1				
E4 Woman	0.089*	<b>-0.113</b>	0.083	0.026	<b>0.096</b>	-0.042	<b>0.130</b>	0.066	<b>-0.151</b>	-0.030	1			
E5 Less than 20,000 inhabitants	0.006	0.064	-0.008	0.014	0.045	0.023	-0.007	0.017	<b>0.086</b>	-0.002	-0.037	1		
E6 More than 100,000 inhabitants	0.049	-0.025	-0.018	-0.020	-0.012	-0.016	0.087*	0.046	-0.034	<b>0.096</b>	0.015	-0.059	1	
E7 Municipality's tax base 2007	<b>-0.129</b>	-0.006	-0.025	<b>-0.126</b>	-0.068	0.006	<b>-0.117</b>	<b>0.313</b>	-0.012	0.017	0.031	0.036	-0.062*	1

\*Correlation is significant at level of 0.05. **Bold:** Correlation is significant at a level of 0.01.

**Table 4: The effect of privatization of the influence of political players**

<b>Multiple OLS regression</b>	<b>R1. Index all political players</b>	<b>R2. Mayor</b>	<b>R3. Financial comm.</b>	<b>R4. Index Leading politicians</b>	<b>R5. Ord. politicians</b>	<b>R6. Index Top admin. managers</b>	<b>R7 Index Local stakeholde rs</b>
E1. Degree of privatization 2007	-0.130**	0.059	-0.035	-0.089*	-0.107**	-0.096*	-0.090*
E2. Municipal chief executive	-0.122**	-0.007	-0.106**	-0.082*	-0.058	-0.011	-0.110**
E3. Higher educ. in the soc.sciences	-0.132***	0.027	-0.103**	-0.108**	-0.105**	-0.016	-0.153***
E4. Woman	0.070^	-0.120**	0.062^	0.012	0.093*	-0.040	0.111**
E5. Less than 20,000 inhabitants	0.043	0.058	0.007	0.040	0.062^	0.024	0.031
E6. More than 100,000 inhabitants	0.059	-0.027	-0.009	-0.014	0.001	-0.005	0.106**
E7. Municipality's tax base (wealth indicator)	-0.088*	-0.028	-0.013	-0.104**	-0.041	0.034	-0.079*
N	722	775	772	756	766	767	738
R2	0.084	0.022	0.036	0.049	0.046	0.011	0.090
Adjusted R2	0.075	0.013	0.027	0.040	0.038	0.002	0.081
Note: Coefficients of standardized regressions. Level of significance marked with: ^p<0,1 *p<0,05 **p<0,01 ***p<0,001							

**Table 5: Overview of hypotheses and sub-hypotheses and their status in relation to acceptance/rejection**

<b>H<sub>1</sub></b>	<b>The higher the degree of privatization, the less power the local political players' have</b>	Accepted
<b>H<sub>2</sub></b>	<b>Power in municipalities with a high degree of privatization is more centralized than power in municipalities with a low degree of privatization</b>	Partially accepted (with reservation due to the rejection of H <sub>2a</sub> , H <sub>2b</sub> and H <sub>2c</sub> )
H <sub>2a</sub>	The mayor has greater power in municipalities with a high degree of privatization than in municipalities with a low degree of privatization	Rejected (no relationship)
H <sub>2b</sub>	The financial committee has greater power in municipalities with a high degree of privatization than in municipalities with a low degree of privatization	Rejected (no relationship)
H <sub>2c</sub>	Top administrative managers have the same power in municipalities with high and municipalities with low degrees of privatization	Rejected (no relationship)
H <sub>2d</sub>	Politicians who are not members of the financial committee have less power in municipalities with a high degree of privatization than in municipalities with a low degree of privatization	Accepted
H <sub>2e</sub>	Local interest groups have less power in municipalities with a high degree of privatization than in municipalities with a low degree of privatization	Accepted

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**Appendix: Definitions of the explanatory (independent) variables included in the analysis**

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E1. Private service provider indicator 2007	The indicator is a calculation of the municipality's share of private service providers in percent of the expenditures on private service providers that may be paid according to legislation. Based on accounting figures.
E2. Municipal chief executive	1=Municipal chief executive; 0=Other type of manager
E3. Higher education in the social sciences (law, economics, political science, etc.)	1=Higher educ. in soc. sciences 0=No higher educ. in the soc. sciences
E4. Woman	1=Woman; 0=Man
E5. Municipalities with 20,000 inhabitants or less	1=20,000 or less inhabitants 0=More than 20,000 inhabitants
E6. Municipalities with 100,000 inhabitants or more	1=100,000 or more inhabitants 0=Less than 100,000 inhabitants
E7. Municipality's tax basis per inhabitant 2007	The municipality's budgeted tax basis per inhabitant

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